

The CISX - setting the bar ever higher

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Created 22/10/2009 - 11:17

The Channel Islands Stock Exchange (CISX) continues to grow throughout the prevailing difficult and uncertain market conditions arising from the credit crisis.

The number of securities admitted to the Official List has risen from 2,800 in October last year, to more than 3,350 a year later. One of the most high profile was the Max Property Group, which was admitted to the Exchange in May 2009 on a primary basis, and constituted the largest IPO in Europe at the time.

Innovation

Whilst remaining attractive to an ever increasing number of high quality, international issuers in such tough economic times, the Market Authority has also sought to maintain its pragmatic approach and willingness to innovate to enhance its services. A reputation for embracing innovative products and creating market firsts has stood the Exchange well in the international financial community.

The CISX was one of the first Exchanges in the European time zone to introduce the listing of limited partnership interests, the trading of partly paid shares and the traded open-ended investment company (OEIC).

A recent example of the Exchange's innovativeness was the announcement in September of the availability of transaction settlement at Euroclear UK and Ireland for CISX traded OEICs. The Exchange has been trading OEICs since March 2005 and is now able to offer listed issuers OEIC transactions settlement on or outside dealing days, with effect from 30 November 2009.

Extending settlement of OEIC transactions to the proven capabilities of Euroclear UK & Ireland is expected to revolutionise the open-ended funds sector by enabling investors to redeem and subscribe to shares electronically on or outside normal dealing days. The move enhances the efficiency of the settlement process for investors and brings new opportunities, both for the Exchange and the investment business sector within the Channel Islands. It will have particular significance for securities with monthly or less frequent dealing days, such as in the open-ended property funds market.

The Exchange this year has also launched its own international business summit which attracted renowned expert speakers from around the world. During a one day conference in Guernsey in September, the specialist presenters encouraged discussion of a number of thought provoking and topical issues affecting the financial markets and the Channel Islands. A number of leading of economists also addressed the conference and highlighted future prospects for the global economy. The event was deemed a success by participants and is to be repeated next year in Jersey.

The Exchange itself is innovative on many levels, from its structure (a hybrid company that has Members and Shareholders), its membership structure (listing agents are actually Members of the Exchange), to the fact that the Market Authority meets daily to approve listings.

Differentiation

The CISX will continue to embrace pioneering ideas. The Market Authority understands the need for differentiation and innovation in a competitive marketplace and is well placed to meet the challenges of a demanding and diverse universe of product providers. It is willing to work with each issuer to see how their product structure might fit into the Exchange's Listing Rules and, then, how the Exchange might bring added value to the listing.

Summary of Key Features

- Speedy turnaround times
- Competitive pricing
- International standard of issuer regulation
- Responsive and approachable Market Authority
- Pragmatic approach to disclosure requirements
- Enhanced marketability
- Premier location

Global Positioning

Since its formation in 1998, the Exchange has become firmly established in the international marketplace and attracts business from many of the major regions of the world. There are 25 countries represented on the Official List and more than 200 international issuers have chosen the CISX as the launch pad for the primary listing and the trading of their securities.

The Exchange now occupies a significant position in the financial services sector of the Channel Islands, completing the range of services offered by financial services professionals and attracting new business to the Islands. It is the leading international stock exchange in the European time zone serving the interests of Channel Islands' businesses.

The CISX's trademark high standard of personal service, delivered efficiently and pragmatically, has gained the CISX acceptance from an ever-increasing number of international issuers. At the same time, the Exchange's disclosure regime and credible track record has enabled it to obtain recognition from regulatory authorities in some of the world's leading economies.

The Exchange is in a unique position being outside the European Union but within the strategic European time zone and with the added benefit of widely held international recognition. A key period was between 2002 and 2003 when the Exchange was recognised formally by the US Securities Exchange Commission and by Her Majesty's Revenue and Customs (HMRC) in the UK.

In terms of the range of securities listed on the CISX, there is a very broad base, with niche markets in the listing of structured products, acquisition vehicles and property funds. The CISX is also widely used for the listing of a range of alternative fund structures, including property and hedge, as well as private equity funds. In addition, it has also established itself as a specialist exchange in truly alternative funds that invest in a broad range of assets; the CISX already lists the first wine fund, two art funds and forestry and tree funds.

Advantages of a CISX Listing

The CISX is innovative in its approach to delivering an unrivalled service combining flexibility with responsibility and accepts a wide range of innovative products.

The Market Authority accepts a wide range of legal structures for admission to the Official List, including protected cell companies and limited partnerships. With regard to the specialist debt sector, the Market Authority recognises that such securities are typically targeted at institutional investors, thus it approaches the listing of specialist debt securities in a very pragmatic way. Disclosure of information is kept to a minimum, focusing on the key features of the debt issuance programme or debenture, the terms and conditions of the issue and, in the case of asset-backed securities, the underlying assets.

The listing of debt on a recognised stock exchange – as the CISX is by the UK tax authorities – exempts UK issuers from withholding tax on interest payments to investors outside the UK, a

provision known as the quoted Eurobond exemption. This is important given the role of debt in private equity acquisition structures and the use of so-called payment in kind notes to pay interest in order to minimise cash payments during the life of the loan. While these payments in kind trigger tax deductions for the issuer, withholding tax becomes payable, hence the importance of the quoted Eurobond exemption to mitigate this tax liability. Since the exemption applied to interest paid as opposed to accrued, it means unpaid interest that accrued before the listing of the debt can escape the tax if it is paid subsequently.

As well as the CISX, various other stock exchanges within the EU are recognised for the purposes of the exemption. However, because the Channel Islands are not members of the EU, issuers are not subject to a wide range of European legislation including the Prospectus Directive and the Transparency Directive. This means, for example, that there is no requirement to prepare accounts according to International Financial Reporting Standards, with all the additional costs and complexity that entails; the Exchange offers issuers the flexibility to use US or UK GAAP instead. This is on top of flexibility in other areas, such as continuing obligations, and the speed and efficiency that gives the Exchange an advantage in terms of listing turnaround time.

CISX Market

The CISX is one of the few offshore stock exchanges to have created a local market and have active trading. All trading activity is free from VAT and Stamp Duty. The CISX market continues to develop, with trading volumes and turnover steadily increasing.

The Exchange offers a full listing and trading facility for commercial trading companies and closed-ended investment companies, with market makers and an order book facility. Transactions have the advantage of full CREST settlement. As mentioned earlier, shares that are partly paid shares may also be traded, which it is believed will be of particular interest to the private equity sector.

Trading is conducted every weekday (Monday to Friday) excluding public holidays and any other day determined, from time to time, by the Board. Trading takes place on a continuous basis during normal trading hours of 9.00am to 4.30pm. Orders and quotations may be added, deleted or amended on the trading system by Trading Members prior to normal trading hours between 8.00am and 9.00am.

Visibility and Marketability

Market data is distributed worldwide through Reuters and via the CISX website.

Recently introduced features on the CISX website include the publication of news on CISX Listed securities and the ability to search for market data including corporate actions, closing prices, net asset values and other information on Listed companies by a variety of search facilities such as security type, date of listing, domicile, etc.

The enhanced services of the CISX website will ensure that the Exchange delivers timely market news to a wider audience. Its technical design has created a dynamic site and offers greater flexibility to the Exchange to respond to future developments. The CISX website is under continuous development to provide enhanced services to investors and issuers alike.

The CISX offers an opportunity for those international businesses already attracted to the Channel Islands to take advantage of a personalised approach and fast track processing of applications within a highly regulated and innovative marketplace. It has strived to deliver an unrivalled service – to put customer service first – and during these difficult economic times the Market Authority has demonstrated through its pragmatic approach and guidance and advice, that the Exchange is not just a fair weather friend. With the continued support of its Members, the CISX is in a good position to carve for itself a strong and secure presence in the global marketplace.

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